

R 132045Z APR 09
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INFO AMEMBASSY MOSCOW
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E.O. 12958: N/A

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SUBJECT: MATVIYENKO: REPORTS OF HER IMMINENT DEPARTURE EXAGGERATED?

1. (SBU) Summary. Rumors have circulated quietly in recent weeks that St. Petersburg Governor Valentina Matviyenko may soon leave office, either of her own accord or be forced out. There's little solid evidence that she is on the way out, but that's not surprising given the sensitive nature of the issue and the opacity of St Petersburg's governing circles. But we can't rule out the possibility that changes in the city leadership may be afoot. End Summary.

2. (SBU) Governor Matviyenko, by many accounts the most powerful woman in Russia and the country's only female region head, is the subject of rumors that she's on her way out. Similar rumors have circulated regularly since she first was elected in 2003, and there's no firm evidence to confirm or deny this latest round. But given her rumored rocky relationship with President Medvedev and his recent round of gubernatorial dismissals, particularly here in Northwest Russia in the cases of Murmansk and Pskov, the rumors merit some examination. In recent weeks media criticism of Matviyenko's construction and zoning policies has increased in frequency and shrillness. St. Petersburgers love their city and do not like her decisions authorizing destruction of historic buildings in the city center to make way for new property development. But a recent rumor adds a new twist. As the rumor goes, reportedly either Matviyenko or a member of her family violated Moscow's prohibition on taking kickbacks during this year of economic crisis. The kickback reportedly pertained to a Smolny decision to approve of the conversion of a prime historic property for commercial development and raised the ire of the Kremlin. Per the rumor, the re-zoning application was approved two weeks before enabling legislation was enacted by the St Petersburg City Council.

3. (SBU) Matviyenko's receipt March 23 of a "Medal of Service to the Country" added some fuel to the fire, even though some prominent governors and mayors, including Moscow's Yuriy Luzhkov and Tatarstan President Shaymiyev have also been awarded this medal and remained in office. During her acceptance speech, Matviyenko underscored her pride in receiving the award as reflecting national recognition of her and her team's achievements. She also stated that she looked forward to continuing to serve as governor and helping improve the city even more. Changes among Matviyenko's senior staff at Smolny also have fueled rumors. Most notably among the changes is the resignation of Vice-Governor Lobko, who was particularly close to Matviyenko. Calls for Matviyenko's removal from office increased slightly following the controversial March 1 city elections, which generated widespread allegations of vote fraud. While loud and somewhat troublesome for the governor, the calls didn't amount to much.

4. (SBU) Comment: Governor Matviyenko certainly has her critics, particularly on her urban development policies, including the Gazprom Tower, which continues to creep forward, even without financial support from city coffers. Many people here continue to assert that her relationship with Medvedev is shaky, although no one seems to know why other than to cite a nonspecific incidence of rudeness involving Medvedev's wife dating to his pre-Kremlin days. Matviyenko remains close to PM Putin and is a savvy politician, too smart to violate the "no kickbacks" policy, although we can't rule out what her husband or son might have done. The service award may not be a kiss of death for her tenure in office and instead may have been timed to Matviyenko's 60th birthday on April 7. The Governor quietly

slipped out of town last week to avoid all the jubilee hoopla that normally accompanies major birthday milestones in Russia. Such behavior is typical Matviyenko. A local journalist recently told us that she was leaving her job because she was tired of following instructions to focus solely on stories critical of the Governor, an editorial line she said was ordered by Moscow.

GWALTNEY